

# CASH FLOW STATEMENT

for the year ended 31 December 2003

	Note	2003 RMB millions	2002 RMB millions
<b>Cash flows from operating activities</b>			
Cash received from sale of goods and rendering of services		335,409	259,558
Rentals received		207	180
Other cash received relating to operating activities		1,789	1,915
<b>Sub-total of cash inflows</b>		<b>337,405</b>	<b>261,653</b>
Cash paid for goods and services		(258,814)	(187,446)
Cash paid for operating leases		(2,785)	(1,918)
Cash paid to and on behalf of employees		(7,595)	(5,933)
Value added tax paid		(11,678)	(8,648)
Income tax paid		(2,009)	(1,736)
Taxes paid other than value added tax and income tax		(8,047)	(7,501)
Repayments of borrowings on behalf of a subsidiary		(962)	—
Other cash paid relating to operating activities		(18,582)	(15,667)
<b>Sub-total of cash outflows</b>		<b>(310,472)</b>	<b>(228,849)</b>
<b>Net cash inflow from operating activities</b>	(a)	<b>26,933</b>	<b>32,804</b>
<b>Cash flows from investing activities</b>			
Cash received from sales of investments		111	—
Dividend received		9,067	5,317
Net cash received from sales of fixed assets and intangible assets		184	417
Maturity of time deposits with financial institutions		434	207
Other cash received relating to investing activities		125	235
<b>Sub-total of cash inflows</b>		<b>9,921</b>	<b>6,176</b>
Cash paid for acquisition of fixed assets and intangible assets		(25,151)	(22,100)
Cash paid for purchases of investments		(1,121)	(1,737)
Increase in time deposits with financial institutions		(449)	(198)
<b>Sub-total of cash outflows</b>		<b>(26,721)</b>	<b>(24,035)</b>
<b>Net cash outflow from investing activities</b>		<b>(16,800)</b>	<b>(17,859)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		142,118	108,662
<b>Sub-total of cash inflows</b>		<b>142,118</b>	<b>108,662</b>
Repayments of borrowings		(143,893)	(114,670)
Cash paid for dividends, distribution of profit or interest		(10,220)	(12,325)
<b>Sub-total of cash outflows</b>		<b>(154,113)</b>	<b>(126,995)</b>
<b>Net cash outflow from financing activities</b>		<b>(11,995)</b>	<b>(18,333)</b>
<b>Net decrease in cash and cash equivalents</b>	(b)	<b>(1,862)</b>	<b>(3,388)</b>

The notes on pages 96 to 125 form part of these financial statements.

## NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 December 2003

	2003 RMB millions	2002 RMB millions
<b>(a) Reconciliation of net profit to cash flow from operating activities</b>		
Net profit	18,768	14,121
Add: Allowance for doubtful accounts	1,956	235
Provision for/(written back of) diminution in value of inventories	30	(17)
Depreciation of fixed assets	11,734	11,012
Amortisation of intangible assets	442	378
Impairment loss on fixed assets	373	—
Impairment loss on long-term investments	21	—
Net loss on disposal of fixed assets and intangible assets	1,866	412
Financial expenses	2,337	2,736
Dry hole costs	1,780	951
Investment income	(15,211)	(11,317)
Deferred tax	(1,443)	253
Decrease in inventories	2,700	2,300
(Increase)/decrease in operating receivables	(862)	384
Increase in operating payables	2,442	11,356
<b>Net cash inflow from operating activities</b>	<b>26,933</b>	<b>32,804</b>
<b>(b) Net decrease in cash and cash equivalents</b>		
Cash and cash equivalents at the end of the year	6,345	8,207
Less: Cash and cash equivalents at the beginning of the year	8,207	11,595
<b>Net decrease in cash and cash equivalents</b>	<b>(1,862)</b>	<b>(3,388)</b>

Financial Statements (PRC)

The notes on pages 96 to 125 form part of these financial statements.